DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

DAVICOM Semiconductor, Inc.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2020, pursuant to "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," the company that is required to be included in the consolidated financial statements of affiliates, is the same as the company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Company name: DAVICOM SEMICONDUCTOR, INC.

Representative: HAO, TING

February 26, 2021

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INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of DAVICOM Semiconductor, Inc.

Opinion

We have audited the accompanying consolidated balance sheets of DAVICOM Semiconductor, Inc. and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to Other matter section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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The Group's key audit matters are as follows:

Evaluation of accounts receivable

Description

Please refer to Note 4(8) for accounting policies on accounts receivable recognition and accounts receivable valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to impairment of accounts receivable, Note 6(3) for details of accounts receivable. The balance of accounts receivable amounted to NT$32,612 thousand as at December 31, 2020.

The Group's accounts receivable arises from selling goods, and collecting in accordance with credit period which is determined by the Credit Quality Control Policy of individual customers' credit quality. Allowance for uncollectible accounts are based on expected credit losses during its existing period. For the purpose of measurement, underlying receivable should be grouped appropriately and the assumptions should be judged and analyzed. The aging of intervals, expected loss ratio and forward-looking information usually include subjective judgement, therefore, we determined the valuation of accounts receivable as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Checked and tested the assumptions of expected credit losses and assessed the reasonableness of the aging of intervals, including objective evidences used to determine the accuracy of periods and credit terms. Verified whether there are long overdue unrecoverable accounts receivable on the list to assess the adequacy of allowance for uncollectible accounts.
2. Checked and tested accounts receivable aging schedule which is classified based on customer types, based on subsequent collections, and discussed with management for its assessment of recoverability of past due receivables.

Evaluation of inventories

Description

Please refer to Note 4(11) for accounting policy on inventory valuation, Note 5 for uncertainty of accounting estimates and assumptions in relation to inventory valuation, Note 6(4) for details of inventory. The balance of inventory and allowance for inventory valuation losses amounted to NT$25,324 thousand and NT$13,971 thousand as at December 31, 2020, respectively.

The Group is engaged in research, development, production, manufacturing and sales of local area network chipset. Due to rapid changes in technology, the life cycle of products is short and easily affected by market prices, there is a higher risk of incurring inventory valuation losses or having obsolete inventory. The Group measures inventory for normal sales at the lower of cost or net realisable value method. For inventory aging over certain period, individual inventory valuation losses and obsolete inventory, provision for loss is made through individual identification and measured at net realizable value. As a result of the significant amount, numerous items, and since identifying obsolete and damaged inventory usually involves management judgement, it also belongs to one of the audit scopes involving professional judgement. Therefore, we determined the estimate of inventory valuation losses as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of the business, industry, products and inventory aging to assess the provision policy of allowance for inventory valuation losses, verifying whether the related accounting policies are consistent with the last period, and evaluating whether the provision policy is reasonable.
2. Obtained inventory aging report from management, analyse and compare the different reasons for loss due to market value decline and obsolete and slow-moving inventories to assess the appropriateness of loss for market value decline and obsolete and slow-moving inventory policy.
3. For summary statement that management uses to valuate loss for market value decline and obsolete and slow-moving inventories, confirming whether it agrees with the statement details generated from system, and verifying that obsolete and slow-moving inventories which were provided valuation losses, has been completely listed in the statement.
4. Tested book value of ending inventory, through selecting samples and obtaining invoices of last period to verify whether they were measured at the lower of cost or net realizable value method, and recalculating and valuating the reasonableness of changes in allowance for inventory valuation losses.
5. Participating and observing the year-end physical inventory count to verify the existence and completeness of inventory, and checking the condition of inventory to assess the appropriateness of allowance for inventory valuation losses of obsolete and slow-moving inventories.

Other matters

Reference to report of the other auditors

We did not audit the financial statements of a wholly-owned consolidated subsidiary that are included in the financial statements. Total assets of the subsidiary amounted to NT$334,257 thousand and NT$226,120 thousand as at December 31, 2020 and 2019, constituting 28.81% and 18.31% of consolidated total assets, respectively. Operating income of the subsidiary amounted to NT$7,669 thousand and NT$9,810 thousand, for the years ended December 31, 2020 and 2019, constituting 3.28% and 4.04% of consolidated total operating income, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other auditors

Parent company only financial reports

We have audited and expressed an unqualified opinion including an Other Matter paragraph on the parent company only financial statements of DAVICOM Semiconductor, Inc. as at and for the years ended December 31, 2020 and 2019.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal controls as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

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Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the generally accepted auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with generally accepted auditing standards in the Republic of China, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
2. Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the footnote disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Se-Kai Lin Hsien-Cheng Chen

For and on behalf of PricewaterhouseCoopers, Taiwan

February 26, 2021

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 680,171	59	$ 752,567	61
1150	Notes receivable, net	6(3)	59	-	-	-
1170	Accounts receivable, net	6(3)	32,612	3	32,321	3
1200	Other receivables		499	-	5,490	-
130X	Inventories, net	6(4)	25,324	2	27,524	2
1410	Prepayments		4,237	-	5,851	1
1470	Other current assets		54	-	-	-
11XX	**Total Current Assets**		742,956	64	823,753	67
	Non-current assets					
1510	Financial assets at fair value through profit or loss - non-current	6(2)	65,704	6	59,494	5
1600	Property, plant and equipment, net	6(5)	166,738	14	160,982	13
1755	Right-of-use assets	6(6)	61,941	5	63,750	5
1760	Investment property, net	6(8)	100,716	9	102,940	8
1780	Intangible assets		91	-	84	-
1840	Deferred income tax assets	6(24)	9,144	1	8,594	1
1900	Other non-current assets	6(9)	13,117	1	15,292	1
15XX	**Total Non-current Assets**		417,451	36	411,136	33
1XXX	**Total assets**		$ 1,160,407	100	$ 1,234,889	100

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DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current liabilities					
2130	Current contract liabilities		$ 94	-	$ 57	-
2150	Notes payable		2,223	-	5,944	1
2170	Accounts payable		4,892	1	7,421	1
2200	Other payables	6(10)	26,155	2	28,962	2
2230	Current income tax liabilities	6(24)	775	-	2,266	-
2280	Current lease liabilities	12(2)	1,552	-	1,537	-
2300	Other current liabilities		2,086	-	2,811	-
21XX	**Current Liabilities**		37,777	3	48,998	4
	Non-current liabilities					
2570	Deferred income tax liabilities	6(24)	512	-	513	-
2580	Non-current lease liabilities	12(2)	60,948	5	62,500	5
2600	Other non-current liabilities	6(11)	17,384	2	17,410	1
25XX	**Non-current liabilities**		78,844	7	80,423	6
2XXX	**Total Liabilities**		116,621	10	129,421	10
	Equity attributable to owners of parent					
	Share capital	6(14)				
3110	Common stock		846,321	73	846,551	69
	Capital surplus	6(15)				
3200	Capital surplus		157,128	13	186,520	15
	Retained earnings	6(16)				
3310	Legal reserve		78,569	7	74,393	6
3350	Undistributed earnings		32,727	3	42,491	3
	Other equity interest					
3400	Other equity interest		(20,108)	(2)	(17,490)	(1)
	Treasury shares	6(14)				
3500	Treasury shares		(50,851)	(4)	(28,115)	(2)
31XX	**Equity attributable to owners of the parent**		1,043,786	90	1,104,350	90
36XX	Non-controlling interest		-	-	1,118	-
3XXX	**Total equity**		1,043,786	90	1,105,468	90
3X2X	**Total liabilities and equity**		$ 1,160,407	100	$ 1,234,889	100

The accompanying notes are an integral part of these consolidated financial statements.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(17)	$ 233,542	100	$ 242,531	100
5000	Operating costs	6(4)(22)(23)	(76,765)	(33)	(81,482)	(34)
5900	Net operating margin		156,777	67	161,049	66
	Operating expenses	6(22)(23)				
6100	Selling expenses		(25,810)	(11)	(31,637)	(13)
6200	General and administrative expenses		(42,746)	(18)	(42,350)	(17)
6300	Research and development expenses		(67,488)	(29)	(76,976)	(32)
6450	Impairment on expected credit losses	6(3) and 12(2)	(500)	-	100	-
6000	Total operating expenses		(136,544)	(58)	(150,863)	(62)
6900	Operating income		20,233	9	10,186	4
	Non-operating income and expenses					
7100	Interest income	6(18)	2,671	1	4,781	2
7010	Other income	6(19)	26,206	11	19,033	8
7020	Other gains and losses	6(20)	(10,914)	(5)	11,920	5
7050	Finance costs	6(21)	(636)	-	(645)	-
7000	Total non-operating income and expenses		17,327	7	35,089	15
7900	**Income from continuing operations before income tax**		37,560	16	45,275	19
7950	Income tax expense	6(24)	(4,124)	(2)	(3,842)	(2)
8000	**Profit for the year from continuing operations**		33,436	14	41,433	17
8200	**Profit for the year**		$ 33,436	14	$ 41,433	17

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DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%
	Other comprehensive income					
8311	Other comprehensive income, before tax, actuarial gains on defined benefit plans		$ 293	-	$ 458	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(59)	-	(92)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		234	-	366	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statement translation differences of foreign operations		(4,849)	(2)	(13,496)	(5)
8360	Components of other comprehensive income that will be reclassified to profit or loss		(4,849)	(2)	(13,496)	(5)
8300	**Total other comprehensive loss for the year**		($ 4,615)	(2)	($ 13,130)	(5)
8500	**Total comprehensive income for the year**		$ 28,821	12	$ 28,303	12
	Profit (loss), attributable to:					
8610	Owners of parent		$ 33,453	14	$ 41,396	17
8620	Non-controlling interest		(17)	-	37	-
			$ 33,436	14	$ 41,433	17
	Comprehensive income (loss), attributable to:					
8710	Owners of parent		$ 28,838	12	$ 28,266	12
8720	Non-controlling interest		(17)	-	37	-
			$ 28,821	12	$ 28,303	12
	Basic earnings per share	6(25)				
9750	Net income		$ 0.41		$ 0.50	
	Diluted earnings per share	6(25)				
9850	Net income		$ 0.41		$ 0.49	

The accompanying notes are an integral part of these consolidated financial statements.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent										
		Share capital	Capital surplus		Retained earnings		Other equity interest					
	Notes	Common stock	Additional paid-in capital	Others	Legal reserve	Undistributed earnings	Exchange differences from translation of foreign operations	Unearned compensation for restricted employee share of stock	Treasury shares	Total	Non-controlling interest	Total equity
Year ended December 31, 2019												
Balance at January 1, 2019		$ 846,551	$ 166,782	$52,994	$ 70,549	$ 37,829	($ 1,763)	($ 7,214)	($ 16,376)	$ 1,149,352	$ 1,081	$ 1,150,433
Profit for the year		-	-	-	-	41,396	-	-	-	41,396	37	41,433
Other comprehensive income (loss) for the year		-	-	-	-	366	(13,496)	-	-	(13,130)	-	(13,130)
Total comprehensive income		-	-	-	-	41,762	(13,496)	-	-	28,266	37	28,303
Appropriation and distribution of 2018 earnings	6(16)											
Legal reserve		-	-	-	3,844	(3,844)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(33,256)	-	-	-	(33,256)	-	(33,256)
Cash dividends distributed from capital surplus	6(15)(16)	-	(33,256)	-	-	-	-	-	-	(33,256)	-	(33,256)
Restricted stocks to employees	6(13)(14)	-	5,355	(5,355)	-	-	-	4,983	-	4,983	-	4,983
Treasure share repurchased	6(14)	-	-	-	-	-	-	-	(11,739)	(11,739)	-	(11,739)
Balance at December 31, 2019		$ 846,551	$ 138,881	$47,639	$ 74,393	$ 42,491	($ 15,259)	($ 2,231)	($ 28,115)	$ 1,104,350	$ 1,118	$ 1,105,468
Year ended December 31, 2020												
Balance at January 1, 2020		$ 846,551	$ 138,881	$47,639	$ 74,393	$ 42,491	($ 15,259)	($ 2,231)	($ 28,115)	$ 1,104,350	$ 1,118	$ 1,105,468
Profit (loss) for the year		-	-	-	-	33,453	-	-	-	33,453	(17)	33,436
Other comprehensive loss for the year		-	-	-	-	234	(4,849)	-	-	(4,615)	-	(4,615)
Total comprehensive (loss) income		-	-	-	-	33,687	(4,849)	-	-	28,838	(17)	28,821
Differences between equity purchase price and carrying amount arising from actual acquisition of subsidiaries		-	-	-	-	(1,031)	-	-	-	(1,031)	-	(1,031)
Change of non-controlling interests		-	-	-	-	-	-	-	-	-	(1,101)	(1,101)
Appropriation and distribution of 2019 earnings	6(16)											
Legal reserve		-	-	-	4,176	(4,176)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(38,244)	-	-	-	(38,244)	-	(38,244)
Cash dividends distributed from capital surplus	6(15)(16)	-	(29,099)	-	-	-	-	-	-	(29,099)	-	(29,099)
Restricted stocks to employees	6(13)(14)	(230)	8,632	(8,925)	-	-	-	2,231	-	1,708	-	1,708
Treasure shares repurchased	6(14)	-	-	-	-	-	-	-	(22,736)	(22,736)	-	(22,736)
Balance at December 31, 2020		$ 846,321	$ 118,414	$38,714	$ 78,569	$ 32,727	($ 20,108)	$ -	($ 50,851)	$ 1,043,786	$ -	$ 1,043,786

The accompanying notes are an integral part of these consolidated financial statements.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 37,560	$ 45,275
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property and right-of-use assets)	6(5)(6)(8)	8,461	8,809
Amortisation	6(22)	3,179	3,644
Impairment on expected credit (losses) profits	6(3) and 12(2)	500	(100)
Deferred charges transferred to research and experimental expenses		2,081	-
Cost of restricted stocks to employees	6(13)(14)	1,938	4,983
Interest income	6(18)	(2,671)	(4,781)
Interest expense	6(21)	636	645
Net profit on financial assets at fair value through profit or loss	6(2)(20)	(6,973)	(11,315)
Gain on disposal of property, plant and equipment	6(20)	(6)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss- current		763	-
Notes receivable		(59)	64
Accounts receivable		(791)	8,022
Other receivables		(27)	332
Inventories		2,200	6,635
Prepayments		1,614	(4,408)
Other current assets		(54)	46
Financial assets at fair value through profit or loss- non-current		-	(932)
Changes in operating liabilities			
Current contract liabilities		37	57
Notes payable		(3,721)	1,257
Accounts payable		(2,529)	906
Other payables		(3,037)	(345)
Net defined benefit liabilities		175	(280)
Other current liabilities		(725)	2,422
Cash inflow generated from operations		38,551	60,936
Interest received		3,084	4,106
Interest paid		(636)	(645)
Income tax received		4,591	-
Income tax paid		(6,232)	(2,345)
Net cash flows from operating activities		39,358	62,052
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(5)	(10,949)	(42,202)
Proceeds from disposal of property, plant and equipment		846	-
Acquisition of investment property		(75)	-
Increase in intangible assets		(186)	(120)
Decrease (increase) in refundable deposits		72	(94)
Increase in other assets		(2,979)	(10,315)
Net cash flows used in investing activities		(13,271)	(52,731)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in guarantee deposits received		92	373
Payments of cash dividends	6(16)	(67,343)	(66,512)
Repayment of principal portion of lease liabilities	6(6)(26)	(1,537)	(1,522)
Acquisition of subsidiaries		(2,132)	-
Treasury shares repurchased	6(14)	(22,736)	(11,739)
Net cash flows used in financing activities		(93,656)	(79,400)
Effect of foreign exchange rate changes on cash and cash equivalents		(4,827)	(13,211)
Net decrease in cash and cash equivalents		(72,396)	(83,290)
Cash and cash equivalents at beginning of year		752,567	835,857
Cash and cash equivalents at end of year		$ 680,171	$ 752,567

The accompanying notes are an integral part of these consolidated financial statements.

DAVICOM SEMICONDUCTOR, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Davicom Semiconductor, Inc. (the "Company") was incorporated as a corporation under provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the research, development, production, manufacturing and sales of communications network ICs.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 26, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1)Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS7 ,'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note：Earlier application from January 1, 2020 is allowed by FSC.

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(2)Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group.

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3)IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment:proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets at fair value through profit or loss.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs"), requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2020	December 31, 2019	Description
Davicom Semiconductor, Inc.	Medicom Corp.	Manufacturing and designing of IC	100.00	99.36	Note 1, 3
Davicom Semiconductor, Inc.	Davicom Investment Inc.	Manufacturing and designing of IC	100.00	100.00	
Davicom Semiconductor, Inc.	TSCC Inc.	Reinvestment business	100.00	100.00	
Davicom Semiconductor, Inc.	Aidialink Corp.	Wireless communication machinery and equipment manufacturing	100.00	88.50	Note 2, 3
TSCC Inc.	JUBILINK LIMITED	Reinvestment business	100.00	100.00	

Note 1: On June 10, 2020, Davicom Semiconductor, Inc. acquired an additional 0.64% of Medicom Corp.'s issued shares for cash. After the acquisition, Davicom Semiconductor, Inc. wholly owned Medicom Corp.

Note 2: On July 31, 2020, Davicom Semiconductor, Inc. acquired an additional 11.5% of Aidialink Corp.'s issued shares for cash. After the acquisition, Davicom Semiconductor, Inc. wholly owned Aidialink Corp.

Note 3: Davicom Semiconductor, Inc. has participated in the subsidiaries's cash capital increase in the third quarter of 2020.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions on fund remittance from subsidiaries to the parent company: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The Group initially measures accounts and notes receivable at fair value and subsequently recognises the amortised interest income over the period of circulation using the effective interest method and the impairment loss. A gain or loss is recognised in profit or loss.

(9) Impairment of financial assets

The Group assesses at each balance sheet date including accounts receivable that have a significant financing, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(10) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from financial asset expire.

(11) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(12) Investments accounted for using the equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes not do affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate, and losses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate, and losses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	5~50 years
Computer communications equipment	3 ~ 4 years
Transportation equipment	5 years
Other equipment	5 ~ 6 years

(14) Leasing arrangements (lessee)－right-of-use assets/lease liability

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability. The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Investment property is depreciated on a straight-line basis over its estimated useful life of 50 years.

(16) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial and subsequently amortises the interest expense in profit or loss over the period of circulation using the effective interest method.

(19) Employee benefit

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. Also, the related information is disclosed accordingly.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employees' compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(20) <u>Employee share-based-payment</u>

A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Group and the Group must refund their payments on the stocks, the Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in ’capital surplus – others’.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(22) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company’s equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company’s equity holders.

(23) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(24) Revenue recognition

A. The Group manufactures and sells communications network ICs. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer. When the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. No element of financing is deemed present as the sales are made with a credit term of 30 to 75 days, which is consistent with market practice.

C. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(25) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Evaluation of accounts receivable

When there is objective evidence showing signs of impairment, the Group considers future cash flow estimates. The amount of the impairment loss is measured by the difference between the carrying amount of the asset and the estimated future cash flow at the original effective interest rate of the financial asset. If the actual cash flow is less than expected, there may be significant impairment losses.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	$ 85	$ 62
Checking accounts and demand deposits	530,037	398,835
Time deposits	150,049	353,670
	$ 680,171	$ 752,567

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

Items	December 31, 2020	December 31, 2019
Non-current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Unlisted stocks	$ 34,761	$ 34,761
Beneficiary certificates	29,000	29,000
Subtotal	63,761	63,761
Valuation adjustment	1,943	(4,267)
	$ 65,704	$ 59,494

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	Years ended December 31,	
	2020	2019
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	$ 6,973	$ 11,315

B. As of December 31, 2020 and 2019, the Group has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2).

(3) Accounts receivable

	December 31, 2020	December 31, 2019
Notes receivable	$ 59	$ -
Accounts receivable	$ 34,213	$ 33,422
Less: Allowance for uncollectible accounts	(1,601)	(1,101)
	$ 32,612	$ 32,321

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 33,509	$ 59	$ 32,025	$ -
Up to 30 days	704	-	1,396	-
31 to 90 days	-	-	1	-
	$ 34,213	$ 59	$ 33,422	$ -

The above ageing analysis was based on past due date.

B. As of December 31, 2020 and 2019, accounts receivable were all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to $40,307.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(4) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Work in progress	$ 15,606	($ 6,795)	$ 8,811
Finished goods	23,689	(7,176)	16,513
	$ 39,295	($ 13,971)	$ 25,324

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Work in process	$ 17,512	($ 6,809)	$ 10,703
Finished goods	23,983	(7,162)	16,821
	$ 41,495	($ 13,971)	$ 27,524

The cost of inventories recognised as expenses for the period:

	Years ended December 31,	
	2020	2019
Cost of goods sold	$ 76,765	$ 81,482

(5) Property, plant and equipment

	2020					
	Buildings and structures	Computer communications equipment	Transportation equipment	Construction in progress	Others	Total
At January 1						
Cost	$ 169,884	$ 857	$ 2,325	$ 41,939	$ 679	$ 215,684
Accumulated depreciation	(52,443)	(358)	(1,485)	-	(416)	(54,702)
	$ 117,441	$ 499	$ 840	$ 41,939	$ 263	$ 160,982
Opening net book amount as at January 1	$ 117,441	$ 499	$ 840	$ 41,939	$ 263	$ 160,982
Additions	85	239	-	10,485	140	10,949
Reclassifications	(639)	-	-	-	-	(639)
Disposals	-	-	(840)	-	-	(840)
Depreciation charge	(3,314)	(249)	-	-	(151)	(3,714)
Closing net book amount as at December 31	$ 113,573	$ 489	$ -	$ 52,424	$ 252	$ 166,738
At December 31						
Cost	$ 169,044	$ 1,096	$ -	$ 52,424	$ 570	$ 223,134
Accumulated depreciation	(55,471)	(607)	-	-	(318)	(56,396)
	$ 113,573	$ 489	$ -	$ 52,424	$ 252	$ 166,738

	2019					
	Buildings and structures	Computer communications equipment	Transportation equipment	Construction in progress	Others	Total
At January 1						
Cost	$ 170,034	$ 708	$ 2,325	$ -	$ 735	$ 173,802
Accumulated depreciation	(49,249)	(275)	(1,098)	-	(320)	(50,942)
	$ 120,785	$ 433	$ 1,227	$ -	$ 415	$ 122,860
Opening net book amount as at January 1	$ 120,785	$ 433	$ 1,227	$ -	$ 415	$ 122,860
Additions	-	239	-	41,939	24	42,202
Depreciation charge	(3,344)	(173)	(387)	-	(176)	(4,080)
Closing net book amount as at December 31	$ 117,441	$ 499	$ 840	$ 41,939	$ 263	$ 160,982
At December 31						
Cost	$ 169,884	$ 857	$ 2,325	$ 41,939	$ 679	$ 215,684
Accumulated depreciation	(52,443)	(358)	(1,485)	-	(416)	(54,702)
	$ 117,441	$ 499	$ 840	$ 41,939	$ 263	$ 160,982

(6) Leasing arrangements－lessee

A. The Group leases assets including land. Rental contracts are made for periods of 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	$ 61,941	$ 63,750

	Years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	$ 1,809	$ 1,809

C. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 602	$ 616
Expense on short-term lease contracts	$ 83	$ 189
Expense on leases of low-value assets	$ 97	$ 100

D. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were $2,319 and $2,427, respectively.

(7) Leasing arrangements – lessor

A. The Group leases assets including buildings. Rental contracts are typically made for periods of 1 and 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. For the years ended December 31, 2020 and 2019, the Group recognised rent income in the amounts of $24,865 and $18,065, respectively, based on the operating lease agreement, which do not include variable lease payments.

C. Gain arising from operating lease agreements for the years ended December 31, 2020 and 2019 are as follows:

	Years ended December 31,	
	2020	2019
Rent income	$ 24,865	$ 18,065

D. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2020	December 31, 2019
2020	$ -	$ 23,630
2021	24,188	17,545
2022	8,823	1,443
2023	5,719	-
	$ 38,730	$ 42,618

(8) Investment property

	Years ended December 31,	
	2020	2019
At January 1		
Cost	$ 148,907	$ 148,907
Accumulated depreciation	(45,967)	(43,047)
	$ 102,940	$ 105,860
Opening net book amount as at January 1	$ 102,940	$ 105,860
Additions	75	-
Reclassifications	639	-
Depreciation charge	(2,938)	(2,920)
Closing net book amount as at December 31	$ 100,716	$ 102,940
At December 31		
Cost	$ 149,907	$ 148,907
Accumulated depreciation	(49,191)	(45,967)
	$ 100,716	$ 102,940

A. Rental income from investment property and direct operating expenses arising from investment property are shown below:

	Years ended December 31,	
	2020	2019
Rental income from investment property	$ 24,865	$ 18,065
Direct operating expenses arising from the investment property that generated rental income during the period	($ 4,962)	($ 4,583)

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 was $151,749 and $150,720, respectively, which was valued by independent valuers. Valuations were made using the cost approach and income approach for each approach which is categorised within Level 3 in the fair value hierarchy. Key assumptions are as follows:

	Overall capital interest rate	Ratio of salvage value
Cost approach	1.605%~1.835%	5.00%
		Capitalisation rate
Income approach		8.3%~8.35%

(9) Other non-current assets

	December 31, 2020	December 31, 2019
Deferred charges	$ 10,263	$ 12,366
Guarantee deposits paid	102	174
Restricted assets	2,752	2,752
	$ 13,117	$ 15,292

Details of the Group's financial assets pledged to others as collateral are provided in Note 8.

(10) Other payables

	December 31, 2020	December 31, 2019
Wages and bonus payable	$ 18,919	$ 20,444
Processing fees payable	2,761	2,966
Others	4,475	5,552
	$ 26,155	$ 28,962

(11) Other non-current liabilities

	December 31, 2020	December 31, 2019
Net defined benefit liability	$ 13,989	$ 14,107
Guarantee deposits received	3,395	3,303
	$ 17,384	$ 17,410

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the

Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b) The amounts recognized in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligations	($ 36,276)	($ 39,619)
Fair value of plan assets	22,287	25,512
Net defined benefit liability	($ 13,989)	($ 14,107)

(c) Movement in net defined benefit are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined liability
Year ended December 31, 2020			
Balance at January 1	($ 39,619)	$ 25,512	($ 14,107)
Current service cost	(101)	-	(101)
Interest (expense) income	(277)	179	(98)
	(39,997)	25,691	(14,306)
Remeasurements:			
Return on plant asset (excluding amounts included in interest income or expense)	-	844	844
Change in financial assumptions	(289)	-	(289)
Experience adjustments	(262)	-	(262)
	(551)	844	293
Pension fund contribution	-	24	24
Paid pension	4,272	(4,272)	-
Balance at December 31	($ 36,276)	$ 22,287	($ 13,989)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined liability
Year ended December 31, 2019			
Balance at January 1	($ 38,769)	$ 24,382	($ 14,387)
Current service cost	(101)	-	(101)
Interest (expense) income	(271)	170	(101)
	(39,141)	24,552	(14,589)
Remeasurements:			
Return on plant asset (excluding amounts included in interest income or expense)	-	936	936
Experience adjustments	(478)	-	(478)
	(478)	936	458
Pension fund contribution	-	24	24
Balance at December 31	($ 39,619)	$ 25,512	($ 14,107)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2020	2019
Discount rate	0.50%	0.70%
Future salary increases	2.00%	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.5%	Decrease 0.5%	Increase 0.5%	Decrease 0.5%
December 31, 2020				
Effect on present value of defined benefit obligation	($ 714)	$ 741	$ 636	($ 619)
December 31, 2019				
Effect on present value of defined benefit obligation	($ 832)	$ 865	$ 751	($ 730)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to $171.

(g) As of December 31, 2020, the weighted average duration of the retirement plan is 2 years. The analysis of timing of the future pension payment was as follows:

Within 1 years	($ 24,095)
1-5year(s)	(10,741)
Over 5 years	(1,440)
	($ 36,276)

B.(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were $4,400 and $4,374, respectively.

(13) Share-based payment

A. For the years ended December 31, 2020 and 2019, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stock to employee	2017.09.29	1,400 (share in thousands)	3 years	1~3 years' service

B. The Board of Directors at their meeting on May 26, 2017 adopted a resolution to issue employee restricted ordinary shares for 2,000 thousand shares and granted 1,400 thousand shares on September 29, 2017. The record date for the capital increase through issuance of employee restricted ordinary shares was set on October 2, 2017 and the subscription price is $10 (in dollars) per share. From the day of grant, percentage of vesting are 20%, 30%, and 50%, respectively, in sequence from 1 to 3 years.

C. For the years ended December 31, 2020 and 2019, the compensation fees arising from restricted stocks to employees is $1,938 and $4,983, respectively.

(14) Share capital

A. As of December 31, 2020, the Company's authorized capital was $1,200,000, consisting of 120,000 thousand shares of ordinary stock (including 18,000 thousand shares reserved for employee stock options and 400 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was $846,321 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2020	2019
At January 1	$ 84,655	$ 84,655
Retirement of restricted stock	(23)	-
At December 31	$ 84,632	$ 84,655

B. The shareholders' meeting on May 26, 2017 adopted a resolution to issue employee restricted ordinary shares for 2,000 thousand shares with the effective date set on August 8, 2017, granted 1,400 thousand shares on September 29, 2017 and the subscription price is $10 (in dollars) per share. The record date for capital increase of employee restricted ordinary shares was set on October 2, 2017. As at December 31, 2020, the receipts for share capital was $14,000 and the capital surplus was $17,850.

C. The Board of Directors at their meeting on August 10, 2020 adopted a resolution to reacquire 23 thousand employee restricted ordinary shares of non-vesting conditions amounting to 230 thousand dollars. The record date for capital decrease was set on August 21, 2020. Relevant regulator's approval has been obtained and related registration processes have been completed.

D. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

		December 31, 2020	
Name of company holding the shares	Reason for reacquisition	Number of shares (share in thousands)	Carrying amount
The Company	To be reissued to employees	2,915	$ 50,851

		December 31, 2019	
Name of company holding the shares	Reason for reacquisition	Number of shares (share in thousands)	Carrying amount
The Company	To be reissued to employees	1,515	$ 28,115

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within five years from the reacquisition date and shares not reissued within the five-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. On June 10, 2020 and June 12, 2019, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to $29,099 and $33,256, respectively. On February 26, 2021, the Bord of Directors proposed the distribution of cash of $35,138 from capital surplus.

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings shall first be used to pay all taxes and offset prior years' operating losses and 10% of the remaining amount shall be set aside as legal reserve, then set aside or reverse special reserve in accordance with related regulations. The appropriation of the remainder along with the earnings in prior years shall be proposed by the Board of Directors and resolved at the stockholders' meeting. The Company shall appropriate all the current distributable earnings, taking into consideration the Company's financials, business and operations. Dividends to shareholders can be distributed in the form of cash or shares and cash dividends to shareholders shall account for at least 30% of the total dividends to shareholders.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriation of 2019 and 2018 earnings was resolved by the shareholders on June 10, 2020 and June 12, 2019, respectively. Details are as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 4,176		$ 3,844	
Cash dividends	38,244	$ 0.46	33,256	$ 0.40

On June 10, 2020 and June 12, 2019, the distribution of cash dividends from capital surplus was approved by the shareholders and amounted to $29,099 and $33,256, respectively. The abovementioned appropriation of earnings of 2019 and 2018 was in agreement with those amounts proposed by the Board of Directors on February 27, 2020 and March 11, 2019, respectively.

E. The details of the appropriation of 2020 earnings was proposed by the Board of Directors on February 26, 2021. Details are follows:

	Year ended December 31, 2020	
	Amount	Dividends per share (in dollars)
Legal reserve	$ 3,369	
Cash dividends	30,235	$ 0.37

(17) Operating revenue

	Years ended December 31,	
	2020	2019
Revenue from contracts with customers	$ 233,542	$ 242,531

Disaggregation of revenue from contracts with customers.

The Group derives revenue at a point in time in the following geographical regions:

	Years ended December 31,	
	2020	2019
China	$ 162,966	$ 160,470
Taiwan	30,006	31,925
USA	4,037	4,771
Other	36,533	45,365
	$ 233,542	$ 242,531

(18) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	$ 2,638	$ 4,753
Other interest income	33	28
	$ 2,671	$ 4,781

(19) Other income

	Years ended December 31,	
	2020	2019
Rent income	$ 24,865	$ 18,065
Dividend income	783	-
Other income, others	558	968
	$ 26,206	$ 19,033

(20) Other gains and losses

	Years ended December 31,	
	2020	2019
Net currency exchange losses	($ 12,930)	($ 5,114)
Gains on disposal of investment	-	10,302
Net profit on financial assets at fair value through profit or loss	6,973	11,315
Gains on disposal of property, plant and equipment	6	-
Other losses	(4,963)	(4,583)
	($ 10,914)	$ 11,920

(21) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense	$ 636	$ 645

(22) Expenses by nature

	Years ended December 31,	
	2020	2019
Changes in finished goods, work-in-process and raw materials inventory	$ 39,479	$ 41,028
Employee benefit expense	105,001	115,991
Depreciation charges on property, plant and equipment (including right-of-use assets)	5,523	5,889
Amortisation charges	3,179	3,644
Product testing fees	20,288	22,488
Other costs and expenses	39,839	43,305
Operating costs and expenses	$ 213,309	$ 232,345

(23) Employee benefit expense

	Years ended December 31,	
	2020	2019
Wages and salaries	$ 88,113	$ 98,994
Labour and health insurance fees	7,479	7,552
Pension costs	4,599	4,576
Directors' remuneration	1,845	1,807
Other personnel expenses	2,965	3,062
	$ 105,001	$ 115,991

A. According to the Articles of Incorporation of the Company, a ratio of gain on current pre-tax profit before deduction of employees' compensation and directors' remuneration, after covering accumulated losses , shall be distributed as employees' compensation and directors' remuneration. The ratio shall not be lower than 8.5% for employees' compensation and shall not be higher than 2% for directors' remuneration. A company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. Directors' remuneration shall be distributed in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive employees' compensation in the form of stock or cash are set by the Board of Directors.

B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$3,569 and \$4,308, respectively; directors' and supervisors' remuneration was accrued at \$838 and \$1,010, respectively. The aforementioned amounts were recognised in salary expenses.

   The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 8.5% and 2% of distributable profit of current year as of the end of reporting period.

   Employees' compensation and directors' and supervisors' remuneration of 2020 as resolved by the meeting of the Board of Directors were in agreement with those amounts recognised in the 20120financial statements.

   Information about employees' bonus and directors' and supervisors' remuneration of the Company as approved by the meeting of Board of Directors and resolved by the shareholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the period	$ 4,321	$ 4,497
Additional income tax imposed on unappropriated earnings	-	36
Prior year income tax underestimation	413	534
Total current tax	4,734	5,067
Deferred tax:		
Origination and reversal of temporary differences	(610)	(1,225)
Income tax expense	$ 4,124	$ 3,842

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31,	
	2020	2019
Remeasurement of defined benefit obligations	($ 59)	($ 92)

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and satutory tax rate	$ 6,733	$ 9,281
Effects from items disallowed by tax regulation	(2,086)	(1,207)
Effects from temporary difference	662	(3,061)
Effects from tax credits of investment	(1,598)	(1,787)
Additional tax on undistributed earnings	-	36
Prior year income tax underestimation	413	534
Others	-	46
Income tax expense	$ 4,124	$ 3,842

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary Differences:	$ 814	$ -	$ -	$ 814
Inventory retirement losses	2,794	-	-	2,794
Loss for market value decline and obsolete and slow-moving inventories	1,030	519	-	1,549
Unrealised exchange loss	1,375	56	-	1,431
Unused compensated absences	2,581	34	(59)	2,556
Subtotal	$ 8,594	$ 609	($ 59)	$ 9,144
Deferred tax liabilities:				
-Temporary Differences:				
Currency temporary differences	($ 512)	$ -	$ -	($ 512)
Unrealised exchange gain	(1)	1	-	-
Subtotal	($ 513)	$ 1	$ -	($ 512)
	$ 8,081	$ 610	($ 59)	$ 8,632

	Year ended December 31, 2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary Differences:	$ 814	$ -	$ -	$ 814
Inventory retirement losses	2,794	-	-	2,794
Loss for market value decline and obsolete and slow-moving inventories	-	1,030	-	1,030
Unrealised exchange loss	1,252	123	-	1,375
Unused compensated absences	2,713	(40)	(92)	2,581
Subtotal	$ 7,573	$ 1,113	($ 92)	$ 8,594
Deferred tax liabilities:				
-Temporary Differences:				
Currency temporary differences	($ 602)	$ 90	$ -	($ 512)
Unrealised exchange gain	(23)	22	-	(1)
Subtotal	($ 625)	$ 112	$ -	($ 513)
	$ 6,948	$ 1,225	($ 92)	$ 8,081

D. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(25) Earnings per share

	Year ended December 31, 2020		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 33,453	82,032	$ 0.41
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 33,453	82,032	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	178	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 33,453	82,210	$ 0.41

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 41,936	83,190	$ 0.50
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 41,936	83,190	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	488	
Profit attributable to shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 41,936	83,678	$ 0.49

(26) Changes in liabilities from financing activities

	Year ended December 31, 2020		
	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 64,037	$ 3,303	$ 67,340
Changes in cash flow from financing activities	(1,537)	92	(1,445)
At December 31	$ 62,500	$ 3,395	$ 65,895

	Year ended December 31, 2019		
	Lease liability	Guarantee deposits received	Liabilities from financing activities-gross
At January 1	$ 65,559	$ 2,930	$ 68,489
Changes in cash flow from financing activities	(1,522)	373	(1,149)
At December 31	$ 64,037	$ 3,303	$ 67,340

7. RELATED PARTY TRANSACTIONS

Key management compensation

	Years ended December 31	
	2020	2019
Salaries and other short-term employee benefits	$ 10,259	$ 10,108

8. PLEDGED ASSETS

The Group’s assets pledged as collateral are as follows:

	Book value		
Pledged asset	December 31, 2020	December 31, 2019	Purpose
Time deposits(shown as other non-current assets)	$ 2,752	$ 2,752	Performance guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020		December 31, 2019	
Financial assets				
Financial assets measured at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$	65,704	$	59,494
Financial assets at amortized cost				
Cash and cash equivalents	$	680,171	$	752,567
Notes receivable		59		-
Accounts receivable		32,612		32,321
Other accounts receivable		499		5,490
Guarantee deposits paid		156		174
Other non-current assets		2,752		2,752
	$	716,249	$	793,304
Financial liabilities				
Financial liabilities at amortized cost				
Notes payable	$	2,223	$	5,944
Accounts payable		4,892		7,421
Other accounts payable		26,155		28,962
Guarantee deposits received		3,395		3,303
	$	36,665	$	45,630
Lease liability	$	62,886	$	64,037

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The management provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 14,049	28.48	$ 400,116	1%	$ 4,001	$ -
RMB:NTD	14	4.38	61	1%	1	-
HKD:NTD	2,326	3.67	8,536	1%	85	-
Financial liabilities						
Monetary items						
USD:NTD	$ 170	28.48	$ 4,842	1%	$ 48	$ -

	December 31, 2019					
				Sensitivity analysis		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
Financial assets						
Monetary items						
USD:NTD	$ 7,991	29.98	$ 239,570	1%	$ 2,396	$ -
RMB:NTD	2,073	4.31	8,935	1%	89	-
HKD:NTD	2,325	3.85	8,951	1%	90	-
Financial liabilities						
Monetary items						
USD:NTD	$ 152	29.98	$ 4,557	1%	$ 46	$ -

ii. The total exchange loss including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019 amounted to ($12,930) and ($5,114), respectively.

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

ii. The Group's investments in equity securities comprise shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, for the years ended December 31, 2020 and 2019, other components of equity would have increased/decreased by $657 and $595, respectively.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independent rated parties with a minimum rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external rating in accordance with limits set by the Board of Directors. The utilization of credit limits is regularly monitored.

iii. The Group adopts assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.

iv. The Group classifies customers' accounts receivable in accordance with credit rating of customer. The Group applies the simplified approach to estimate expected credit loss under the provision matrix basis.

v. The Group used the forecast ability of Taiwan Institute of Economic Research report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2020 and 2019, the provision matrix are as follows:

December 31, 2020	Group A	Group B	Total
Expected loss rate	0.03%	4.09%~4.14%	
Total book value	$ 24,486	$ 9,727	$ 34,213
Loss allowance	$ 7	$ 1,594	$ 1,601

December 31, 2019	Group A	Group B	Total
Expected loss rate	0.03%	3.63%~83.86%	
Total book value	$ 23,081	$ 10,341	$ 33,422
Loss allowance	$ 7	$ 1,094	$ 1,101

vi. Movement in relation to the group applying the simplified approach to provide loss allowance for accounts receivable is as follows:

	Years ended December 31,	
	2020	2019
At January 1	$ 1,101	$ 1,201
Provision for impairment	500	-
Reversal of impairment loss	-	(100)
At December 31	$ 1,601	$ 1,101

According to the above method, the allowance loss on the account as of December 31, 2020 and 2019, should be $410 and $601, respectively, which is not significantly different from the amount of allowance loss on the current account. For the years ended December 31, 2020 and 2019, there was no impairment loss arising from customers' contracts.

(c) Liquidity risk

i Cash flow forecasting is performed by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements, for example, currency restrictions.

ii. Surplus cash held by the operating entities over and above balance required for working capital management will be invested in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Except for notes payable, accounts payable and other payables, the amount of undiscounted contractual cash flows is approximately at its carrying amount and is due within one year. The amount of undiscounted contractual cash flows of the remaining financial liabilities is as follows:

Non-derivative financial liabilities: December 31, 2020	Less than 1 year	Between 1 and 2	Between 2 and 5 years	Over 5 years
Lease liability	$ 2,138	$ 2,138	$ 6,415	$ 62,551
Other financial liabilities (shown as other non-current liabilities)	1,583	900	912	-

Non-derivative financial liabilities: December 31, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Lease liability	$ 2,138	$ 2,138	$ 6,415	$ 64,689
Other financial liabilities (shown as other non-current liabilities)	838	48	2,417	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(8).

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ 26,436	$ -	$ 39,268	$ 65,704

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	$ 28,942	$ -	$ 30,552	$ 59,494

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Emerging stocks
Market quoted price	Closing price	Last transaction price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

D. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	Years ended December 31,			
	2020		2019	
	Non-derivative equity instrument		Non-derivative equity instrument	
At January 1	$	30,552	$	27,088
Losses recognised in profit or loss				
Recorded as non-operating income and expenses		8,716		3,464
At December 31	$	39,268	$	30,552

F. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

G. Finance department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020		Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	39,268	Net asset value	Not applicable	-	Not applicable

	Fair value at December 31, 2019		Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	30,552	Net asset value	Not applicable	-	Not applicable

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 2.

(3) Major shareholders information

Major shareholders information: Please refer to table 3.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry and is mainly engaged in distribution of communications Network ICs or related services. The Chief Operating Decision-Maker who allocates resources and assesses performance of the Group as a whole has identified that the Group has only one reportable operating segment.

(2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

	Years ended December 31,	
	2020	2019
Revenue from external customers	$ 233,542	$ 242,531
Depreciation and amortisation (including investment property, right-of-use assets)	11,640	12,453
Income tax expense	4,124	3,842
Reportable segments income	33,436	41,433
Assets of reportable segments	1,160,407	1,234,889
Capital expenditure in non-current assets of reportable segments	11,210	42,322
Liabilities of reportable segments	116,621	129,421

(3) Reconciliation for segment income (loss)

The revenue from external customers, profit or loss, assets and liabilities reported to the Chief Operating Decision-Maker is measured in manner consistent with that financial statements. Thus, reconciliation is not required.

(4) Information on products and services

Details of revenue is as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
Sales revenue	$ 227,741	$ 238,388
Service revenue	5,801	4,143
	$ 233,542	$ 242,531

(5) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	Non-current assets	Revenue	Non-current assets
China	$ 162,966	$ -	$ 160,470	$ -
Taiwan	30,006	342,603	31,925	343,048
USD	4,037	-	4,771	-
Others	36,533	-	45,365	-
	$ 233,542	$ 342,603	$ 242,531	$ 343,048

(6) Major customer information

For the years ended December 31, 2020 and 2019, details of the Group's sale revenue from customers accounted for more than 10% of sales amounts in the consolidated statements of comprehensive income are as follows:

	Years ended December 31,			
	2020		2019	
	Revenue	%	Revenue	%
C	$ 65,947	28	$ 64,627	27
A	35,656	15	38,414	16
B	32,988	14	36,000	15
	$ 134,591	57	$ 139,041	58

DAVICOM Semiconductor, Inc. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

December 31, 2020

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Securities held by	Marketable securities (Note 1)	Relationship with the securities issuer (Note 2)	General ledger account	As of December 31, 2020 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
The Company	Unitech Capital Inc.	—	Financial assets at fair value through profit or loss - non-current	1,000,000	$ 39,268	2.00%	$ 39,268	
Davicom Investment Inc.	Global Mobile Corp.	—	Financial assets at fair value through profit or loss - non-current	892,458	-	0.32%	-	
Davicom Investment Inc.	MTECH Corporation	—	Financial assets at fair value through profit or loss - non-current	200,000	-	0.93%	-	
Davicom Investment Inc.	Schroder fund	—	Financial assets at fair value through profit or loss - non-current	2,900,000	26,436	-	26,436	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

DAVICOM Semiconductor, Inc. and subsidiaries

Information on investees(not including investees in Mainland China)

December 31, 2020

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2020	Initial investment amount: Balance as at December 31, 2019	Shares held as at December 31, 2020: Number of shares	Shares held as at December 31, 2020: Ownership (%)	Shares held as at December 31, 2020: Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
The Company	TSCC Inc.	Samoa	General investment	$ 143,224	$ 143,224	4,400,000	100	$ 92,473	$ 1,486	$ 1,486	-
The Company	Davicom Investment Inc.	Taiwan	General investment	222,000	222,000	21,200,000	100	210,160	(1,843)	(1,843)	-
The Company	Medicom Corp.	Taiwan	Designing and manufacturing of IC	62,036	17,004	5,000,000	100	44,804	(528)	(528)	-
The Company	Aidialink Corp.	Taiwan	Wireless communication machinery and equipment manufacturing industry	81,070	8,970	8,000,000	100	78,164	(1,534)	(1,517)	-
TSCC Inc.	Jubilink Ltd.	British Virgin Islands	General investment	-	-	22,775,207	100	-	-	-	-

DAVICOM Semiconductor, Inc. and subsidiaries

Major shareholders information

December 31, 2020

Table 3

	Shares	
Name of major shareholders	Number of shares	Shareholding Percentage (%)

As of December 31, 2020, the company has no shareholders holding more than 5% of the shares.